



UBS

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Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM CONTINUES TO INCREASE

UBS/Gallup Index of Investor Optimism at 79 – Highest Level in Seven Months

Six in Ten Investors Say Their Local Real Estate Markets Are Getting Worse

NEW YORK, October 23, 2006 – Investor optimism rose for the second month in a row in October according to the UBS/Gallup Index of Investor Optimism. The Index increased five points in October following its 21 point increase in September and now stands at 79 – its highest level in seven months and 26 points higher than its low point for the year in August. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996, exactly ten years ago to the month.

Investors are feeling more bullish on the stock market than in previous months. In October, 53 percent of investors said that they are optimistic about the performance of the stock market, up from 47 percent who held that view in September and 42 percent in August. Additionally, the percentage of investors who believe that now is a good time to invest in the financial markets has steadily increased since July and is now at 61 percent, compared with 57 percent in September and 54 percent in August.

Investor concerns about energy prices continued to decline in October as the percentage of investors saying they believe energy prices are hurting the investment climate “a lot” fell to 58 percent, down from 63 percent in September and 78 percent in August. Nearly as many investors (55 percent) now consider international tensions including those in the Middle East and in North Korea as hurting the current U.S. investment “a lot” as they do energy prices.

The decline in energy prices over the past month has not only encouraged investors about the current economic situation but has also changed investor expectations for future gasoline prices. In August, investors said they expected the average price of a gallon of regular gasoline to reach \$3.30 in the following three months. In September, their expected price for a gallon of gasoline three months from then was to \$2.76. In October, these expectations fell to \$2.45, indicating that investor price expectations for a gallon of gas have fallen \$0.85 over the past two months.

“Strong corporate earnings coupled with the easing of energy prices and reduced expectations of further Fed rate hikes have contributed to both the recent stock market rally and improved investor sentiment. As UBS expects a slowdown in the economy in early 2007, we will be watching several areas carefully, including the housing market and consumer spending,” said Mike Ryan, Head of UBS Wealth Management Research Americas.

Investor expectations for a so-called “soft-landing” for the U.S. economy also increased in October as the percentage of investors saying the U.S. is experiencing a “recovery” or an “economic expansion” rose to 43 percent from 38 percent in September. Another 44 percent believe the economy is in a “slowdown,” while only one in ten investors feels the U.S. is in a recession.

While investors are slightly less concerned about conditions in the housing market this month than in September, most investors seem to believe that the real estate markets are going to get worse before they get better. Six in ten investors continue to rate conditions in today’s residential real estate market nationwide as “only fair” (45 percent) or “poor” (14 percent) – essentially the same as in September. More than two-thirds of investors (68 percent) believe economic conditions in the residential real estate market nationwide are getting worse, a slight improvement from the 74 percent of investors who felt this way in September.

When considering their local markets, 59 percent view conditions in their local residential real estate markets as getting worse. This is an improvement from the 65 percent who felt this way last month, but still suggests that many local real estate markets have some way to go before they reach bottom.

With the October increase in the overall Index reading came a rise in the Economic Dimension of the Index. The Economic Dimension, which measures people’s optimism about the economy over the next 12 months, increased six points in October on top of its 12 point increase of September and now stands at 17. This suggests that investors as a whole have gone from being essentially neutral on the economy just to months ago to being somewhat optimistic about the economic outlook over the next 12 months. The Personal Dimension of the Index, which measures people’s optimism about their own portfolios over the next 12 months, decreased one point to 62 in October but remains substantially above its August level (54).

These findings are part of the 103rd *Index of Investor Optimism*, which was conducted October 1-15, 2006. To track and measure Index changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, Chief Economist for Gallup, said the sampling included 802 investors randomly selected from across the country. For this study, the American investor is defined as any person who is head of a household or a spouse in any household with total savings and investments of \$10,000 or more. Nearly 40 percent of American households have at least this amount in savings and investments. The sampling error in the results is plus or minus four percentage points.

For more than 60 years, the Gallup Organization has been a recognized leader in the measurement and analysis of people’s attitudes, opinions and behavior. While best known for the Gallup Poll, founded in 1935, Gallup’s current activities consist largely of providing marketing and management research, advisory services and education to the world’s largest corporations and institutions.

UBS is one of the world’s leading financial firms, serving a discerning global client base. As an organization, it combines financial strength with an international culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.



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UBS is the world's largest wealth manager, a top tier investment banking and securities firm, and one of the largest global asset managers. In Switzerland, UBS is the market leader in retail and commercial banking.

UBS is present in all major financial centers worldwide. It has offices in 50 countries, with 39% of its employees working in the Americas, 38% in Switzerland, 16% in Europe and 7% in the Asia Pacific time zone. UBS's financial businesses employ more than 68,000 people around the world.

Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism

UBS Index of Investor Optimism overall trend

	Overall Index
06 October	79
06 September	74
06 August	53
06 July	55
06 June	58
06 May	64
06 April	63
06 March	79
06 February	80
06 January	93
05 December	79
05 November	50
05 October	47
05 September	34
05 August	61
05 July	58
05 June	54
05 May	50
05 April	52
05 March	74
05 February	82
05 January	76
04 December	79
04 November	69
04 October	62
04 September	74
04 August	77
04 July	88
04 June	95
04 May	71
04 April	73
04 March	85
04 February	97
04 January	108
03 December	104
03 November	93
03 October	69
03 September	54
03 August	61
03 July	54
03 June	77
03 May	42
03 April	66
03 March	5
03 February	9
03 January	38



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02 December	52
02 November	41
02 October	29
02 September	60
02 August	52
02 July	46
02 June	72
02 May	90
02 April	89
02 March	121
02 February	92
02 January	115
01 December	88
01 November	84
01 October	86
01 September	50
01 August	76
01 July	74
01 June	85
01 May	90
01 April	81
01 March	82
01 February	77
01 January	96
00 December	106
00 November	130
00 October	132
00 September	147
00 August	160
00 July	143
00 June	149
00 May	155
00 April	140
00 March	150
00 February	168
00 January	178

99 December	174
99 November	148
99 October	139
99 September	160
99 August	149
99 July	166
99 June	146
99 May	163
99 April	168
99 March	151
99 February	167
98 December	141
98 September	147
98 June	160
98 March	161
97 December	151
97 September	151
97 June	152
97 February	128
96 November	125
96 October	124

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